

Message Text

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ORIGIN EB-08

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L:MFELDMAN (DRAFT)
TREASURY:ECLAPP (DRAFT)
L/EB:SGUDGEON (DRAFT)
COMMERCE:DARRILL (DRAFT)
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USOECD

E.O. 11652: N/A

TAGS: EINV, OECD

SUBJECT: REVISED U.S. DRAFT PROPOSAL FOR AN OECD GROUP OF
EXPERTS ON COMMON ACCOUNTING GUIDELINES

REFS: (A) PARIS 12407; (B) STATE 82856

1. FOLLOWING IS THE REVISED TEXT OF THE U.S. GOVERNMENT
NOTE ON TERMS OF REFERENCE FOR A POSSIBLE CIME SUBGROUP ON
ACCOUNTING STANDARDS. THE REVISION TAKES ACCOUNT OF OTHER
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DELEGATIONS' COMMENTS MADE DURING THE APRIL CIME MEETING
AS WELL AS SOME OF THE POINTS IN IME(78)7.

2. REQUEST MISSION PASS TEXT TO SECRETARIAT FOR COMMENTS
BEFORE WE SEND PRO,OSAL TO OECD CAPITALS. WE RECOGNIZE
THAT THESE TERMS OF REFERENCE REMAIN RATHER DETAILED.
HOWEVER, WE BELIEVE THAT THIS IS NECESSARY TO COVER THE

VARIOUS CONCERNS WHICH DELEGATIONS RAISED AT THE APRIL CIME. OUR INTENTION IS TO DEFINE CLEARLY THE TWO-STAGE NATURE OF THE PROCESS WE BELIEVE NECESSARY TO ACCOMPLISH THE LONG-TERM GOAL OF GREATER COMPARABILITY OF ACCOUNTING PRACTICES. WE WOULD APPRECIATE A PROMPT SECRETARIAT REACTION SO THAT THIS TEXT CAN BE PASSED TO CAPITALS. THIS WILL ALLOW THOSE OECD MEMBERS WHO WISH TO DO SO TO PROVIDE PRELIMINARY REACTIONS TO U.S. DEL (BOERNER) AT THE VIENNA

MEETING OF THE UN TNC COMMISSION.

3. BEGIN TEXT:

- DRAFT PROPOSAL FOR TERMS OF REFERENCE FOR AN OECD
- GROUP OF EXPERTS ON COMMON ACCOUNTING STANDARDS

- THE CIME CONCLUDED, AT ITS DECEMBER 1977 AND APRIL 1978 MEETINGS, THAT THERE WAS A FUNDAMENTAL REQUIREMENT FOR INCREASED COMPARABILITY OF THE DATA AND HARMONIZATION OF ACCOUNTING STANDARDS UNDER WHICH ENTERPRISES REPORT. THIS ISSUE IS OF CONSIDERABLE IMPORTANCE TO THE OECD, WHOSE MEMBERS ARE BOTH HOME AND HOST COUNTRIES FOR FOREIGN INVESTMENT.

- THE INTEREST OF OECD COUNTRIES IN UNIFORM ACCOUNTING GUIDELINES FOR ALL ENTERPRISES IS A RESULT OF THE INTER-LIMITED OFFICIAL USE

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DEPENDENCE OF THEIR ECONOMIES. THE OECD COUNTRIES, WHILE RECOGNIZING THAT UNIFORM ACCOUNTING PRACTICES WILL REQUIRE A LONG AND DIFFICULT PROCESS ARE INCREASINGLY AWARE THAT LACK OF UNIFORMITY IS INCREASINGLY COSTLY FOR MEMBER STATES AND ENTERPRISES ALIKE. THIS LACK OF UNIFORMITY AFFECTS INTERNATIONAL INVESTMENT BY LIMITING THE USEFULNESS OF INFORMATION FLOWS AND THE EFFECTIVENESS OF ECONOMIC FORECASTING. IN TURN, THIS AFFECTS POLICY ACTIONS THAT ARE BASED ON INCOMPLETE OR INACCURATE INVESTMENT INFORMATION. LACK OF COMPARABILITY AND HARMONIZATION ALSO MAY DISTORT THE INTERNATIONAL MARKET'S ABILITY TO SEND THE PROPER MARKET SIGNAL TO INTERNATIONAL INVESTORS. ACCOUNTING COSTS TO FIRMS ARE ALSO INCREASED.

- INTERNATIONAL AND NATIONAL PROFESSIONAL ACCOUNTING GROUPS AS WELL AS MEMBER STATES AND GROUPINGS OF MEMBER STATES HAVE RECOGNIZED THE NEED FOR COMPARABILITY AND HARMONIZATION. THE BROAD VARIATIONS OF, AND WITHIN, NATIONAL ACCOUNTING STANDARDS, PROCEDURES, AND PRINCIPLES HAVE INHIBITED THEIR EFFORTS. THESE VARIATIONS RESULT FROM ADMINISTRATIVE REGULATIONS, SECTORAL CHARACTERISTICS, PROFESSIONAL ACCOUNTING PRACTICES AND LEGAL REQUIREMENTS.

PIONEERING EFFORTS IN PUBLIC AND PRIVATE SECTORS WHILE IMPORTANT HAVE BEEN TENTATIVE AND UNCOORDINATED. THE CIME BELIEVES COORDINATED INTERNATIONAL ACTION IS REQUIRED TO ACHIEVE GREATER COMPARABILITY AND HARMONIZATION. THE OECD, AS THE PRINCIPAL DEVELOPED COUNTRY FORUM, IS THE APPROPRIATE ORGANIZATION TO INITIATE FURTHER MEANINGFUL WORK ON THE COMPARABILITY OF ACCOUNTING DATA AND HARMONIZATION OF ACCOUNTING STANDARDS AMONG ITS MEMBERS.

- THE CIME, THEREFORE, DECIDES:

1. AN INTERGOVERNMENTAL EXPERTS GROUP OF THE CIME SHOULD BE FORMED TO RECOMMEND A STRATEGY FOR OECD WORK ON COMPARABILITY OF ACCOUNTING DATA AND HARMONIZATION OF LIMITED OFFICIAL USE

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ACCOUNTING STANDARDS, TO INCLUDE PRINCIPLES AND PRACTICES, AMONG MEMBER COUNTRIES. THE GROUP SHOULD BE RESPONSIBLE TO THE CIME SO AS TO MAINTAIN A DIRECT LINKAGE BETWEEN ITS WORK AND THE CIME'S RESPONSIBILITIES. THE GROUP SHOULD BE COMPOSED OF EXPERTS WITH A BROAD VIEW OF THE ISSUE. GOVERNMENTS ARE ENCOURAGED TO INCLUDE IN THEIR DELEGATIONS PRIVATE SECTOR REPRESENTATIVES FROM BUSINESS, ACADEME AND LABOR AS WELL AS PROFESSIONAL ACCOUNTANTS. THE EXPERT GROUP SHOULD EXAMINE APPROPRIATE MEASURES FOR OBTAINING THE VIEW OF ACCOUNTING, BUSINESS, AND ACADEMIC EXPERTS.

2. AS A FIRST STAGE THE EXPERTS GROUP SHOULD CONCENTRATE ON A REVIEW OF PRIVATE AND OFFICIAL ATTEMPTS TO DEVELOP CONCEPTS OF COMPARABILITY AND HARMONIZATION AND CONSIDER THE DESIRABILITY, FEASIBILITY AND PROBLEMS ASSOCIATED WITH ESTABLISHING AMONG OECD COUNTRIES THOSE CONCEPTS WHICH HAVE RESULTED FROM THESE ATTEMPTS. THE GROUP SHOULD INFORM ITSELF OF AND BEAR IN MIND THE EFFORTS TOWARDS COMPARABILITY AND HARMONIZATION ALREADY BEING CONDUCTED BY INTERGOVERNMENTAL BODIES AND INTERNATIONAL PUBLIC AND PROFESSIONAL ORGANIZATIONS, PARTICULARLY DRAWING ON THE IMPORTANT EFFORTS OF THE EUROPEAN ECONOMIC COMMUNITY AND INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE (IASC). THE GROUP SHOULD CLEARLY IDENTIFY ACTUAL CONCERNS, AND AVOID OVERLAPPING WITH EXISTING ACTIVITIES. THE GROUP SHOULD REPORT TO THE SPRING 1979 CIME WHICH WILL DECIDE ON THE NEED FOR FURTHER OECD WORK IN THIS AREA.

3. AS A SECOND STAGE, IF THE CIME CONCLUDES THAT FURTHER WORK BE UNDERTAKEN, THE GROUP SHOULD PARTICULARLY FOCUS ON THE WORK NEEDED TO ASSURE THE COMPARABILITY AND HARMONIZATION OF LIMITED OFFICIAL USE

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NIZATION ASSOCIATED WITH THE LIST OF DISCLOSURE ITEMS CONTAINED IN THE OECD'S GUIDELINES FOR MULTINATIONAL ENTERPRISES. THE GROUP SHOULD DRAFT A SET OF WORK PRIORITIES AND IN THE PROCESS REFINE THESE GENERAL TERMS OF REFERENCE. THE GROUP SHOULD IDENTIFY THOSE DATA AND STANDARDS WHERE INTERNATIONAL GUIDELINES ARE MOST DESIRABLE AND PROVIDE RECOMMENDATIONS TO THE CIME. IT SHOULD ALSO EXAMINE THE APPLICABILITY OF ANY RECOMMENDATIONS TO ALL FIRMS--MNES AND NON-MNES.

4. THE EXPERT GROUP SHOULD REPORT FROM TIME TO TIME TO THE CIME AND PROVIDE A FINAL REPORT IN SEPTEMBER, 1979. AMONG OTHER THINGS THE REPORT SHOULD EXAMINE THE ADVANTAGES OF RETAINING A PERMANENT CIME WORKING GROUP ON ACCOUNTING STANDARDS. THE EXPERT GROUP SHOULD ALSO CONSIDER THE IMPLEMENTATION PROCESS OF ANY RECOMMENDATIONS, TAKING INTO ACCOUNT THE DIFFERING PROCESSES AMONG OECD MEMBER COUNTRIES RELATING TO ACCOUNTING PRACTICES AND REGULATIONS. VANCE

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